

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 1866

INFO AMEMBASSY CAIRO

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E.O. 11652: NA

TAGS: FT, PINT

SUBJECT: ABDULLAH KAMIL CALLS FOR AUSTERITY

1. DECEMBER 1 ETHIOPIAN HERALD CARRIED FOLLOWING ARTICLE DATE-LINED DJIBOUTI (AFP):

"THE FRENCH AFARS AND ISSAS TERRITORY, DUE TO BECOME FULLY INDEPENDENT NEXT SUMMER, FACES A YEAR OF BELT TIGHTENING WITH WAGE FREEZES AND A 4 PER CENT DUTY INCREASE ON IMPORTS, PRIME MINISTER ABDALLAH MOHAMMED KAMIL WARNED, OPENING THE PARLIAMENTARY BUDGET SESSION HERE YESTERDAY.

"THERE COULD BE "NO TRUE INDEPENDENCE WITHOUT GENUINE AUSTERITY," MR.KAMIL SAID, OUTLINING DETAILS OF HIS DRAFT BUDGET WHICH AMOUNTS TO SLIGHTLY MORE THAN 40 MILLION DOLLARS (6,000 MILLION DJIBOUTI FRANCS).

"WHILE, HE SAID, NO NEW TAXATION WOULD BE INTRODUCED THE GOVERNMENT STOOD TO LOSE 200 MILLION DJ. FR. (ONE MILLION DOLLARS) IN REVENUE DURING THE COMING YEAR.

" AFTER INDEPENDENCE, MR. KAMIL SAID THE DJIBOUTI FRANC-WORTH APPROXIMATELY 2.5 FRENCH CENTIMES--MIGHT RETAIN ITS LIMITED OFFICIAL USE

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RARE AGAINST THE US DOLLAR PROVIDED FRANCE AGREED TO GUARAN-

TEE ITS VALUE AND PROVIDED ALSO THAT THE FUTURE GOVERNMENT OF DJIBOUTI KEPT A FIRM HAND ON BANKNOTE PRINTING.

"MR.KAMIL ALSO EXPRESSED CONCERN ABOUT INFLATION AND WARNED BUSINESSMEN AND TRADERS THAT THERE SHOULD NOT BE PRICE INCREASES WITHOUT SERIOUS JUSTIFICATION."

2. COMMENT: IMPOSITION OF AUSTERITY MEASURES RATIONAL AND LOGICAL EXONOMIC STEP. REDUCTIONS IN SIZE OF FRENCH PRESENCE IN POST-INDEPENDENCE DJIBOUTI WILL HAVE SERIOUS ECONOMIC IMPACT, AS AN ESTIMATE 45-60 PERCENT OF TFAI ECONOMY BASED ON PROVIDING SERVICES TO FRENCH. IN ADDITION, TFAI ALSO FACES SERIOUS ECONOMIC PROBLEMS DUE TO INSECURITY OF NON-AFAR/ISSA BUSINESS COMMUNITY, WITH BUSINESSMEN HOLDING MINIMAL STOCKS OF MERVHANDISE, LIMITING NEW INVESTMENT, AND CONSIDERING CLOSING OR MOVING OPERATIONS. TFAI, WITH ITS MINIMAL EXPORTS, ALSO FACES ERIOUS BALANCE OF PAYMENT PROBLEM FOLLOWING INDEPENDENCE. COMMENT ON POSSIBLE DEVALUATION OF DJIBOUTI FRANC BY ABDULLAH IS SWITCH FROM STATEMENTS EAEIER THIS AUTUMN, IN WHICH HE EMPHAISZED STENGTH OF DJIBOUTI FRANC PEGGED TO DOLLAR. WHILE WAGE FREEZES NEVER POPULAR, FACT REMAINS THAT WAGES (AND PRICES) IN DJIBOUTI HIGHEST IN HORN.
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